

ASSEMBLY BILL

No. 2358

Introduced by Assembly Member Harkey

February 21, 2014

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2358, as introduced, Harkey. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, 2010, as provided. The federal Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.

This bill would extend the operation of the exclusion of the discharge of qualified principal residence indebtedness to debt that is discharged on or after January 1, 2013, and before January 1, 2014.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17144.5 of the Revenue and Taxation
- 2 Code is amended to read:

1 17144.5. (a) Section 108(a)(1)(E) of the Internal Revenue
2 ~~Code~~, *Code* is modified to provide that the amount excluded from
3 gross income shall not exceed \$500,000 (\$250,000 in the case of
4 a married individual filing a separate return).

5 (b) Section 108(h)(2) of the Internal Revenue Code, is modified
6 by substituting the phrase “(within the meaning of section
7 163(h)(3)(B), applied by substituting ‘\$800,000 (\$400,000’ for
8 ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” for the phrase
9 “(within the meaning of section 163(h)(3)(B), applied by
10 substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’
11 in clause (ii) thereof)” contained therein.

12 (c) *The amendments made by Section 202 of the American*
13 *Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108*
14 *of the Internal Revenue Code shall apply.*

15 (e)

16 (d) This section shall apply to discharges of indebtedness
17 occurring on or after January 1, 2007, and, notwithstanding any
18 other law to the contrary, no penalties or interest shall be due with
19 respect to the discharge of qualified principal residence
20 indebtedness during the 2007 or 2009 taxable year regardless of
21 whether or not the taxpayer reports the discharge on his or her
22 return for the 2007 or 2009 taxable year.

23 (e) *The amendments made to this section by the act adding this*
24 *subdivision shall apply to discharges occurring on or after January*
25 *1, 2013.*

26 SEC. 2. This act provides for a tax levy within the meaning of
27 Article IV of the Constitution and shall go into immediate effect.